

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 ITC-01 AGR-10 L-03 /105 W

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R 050940Z FEB 76

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 1594

UNCLAS SECTION 1 OF 2 TUNIS 0826

DEPT PASS COMMERCE FOR BIC: HOSTLER AND HALE

E.O. 11652: N/A

TAGS: USTSJC, BEXP, ETRD, EFIN, EINV, TS

SUBJ: US/TUNISIAN JOINT COMMISSION--WORKING GROUPS ON TRADE
AND TRIANGULAR INVESTMENT

REF: TUNIS 299

1. SUMMARY. TUNIS-BASED WORKING GROUPS ON TRADE AND ON TRIANGULAR INVESTMENT MET ON JAN 30 FOR INTRODUCTIONS OF PARTIN PANTS AND REVIEW OF ITEMS PENDING FROM J.C. AGREEMENT REACHED THE WG WOULD SERVE AS CHANNEL OF COMMUNICATION RATHER THAN DECISION-MAKING BODY. CONSTRUCTIVE, ALBEIT SOMEWHAT UNSTRUCTURED, DISCUSSION AND SOME PROGRESS MADE ON WIDE RANGE OF TRADE-RELATED ISSUES; TIME RAN OUT BEFORE INVESTMENT MATTERS WERE REACHED. WG'S WILL MEET AGAIN LATE FEBRUARY TO FINISH AGENDA. EMBASSY OPTIMISTIC THAT WG'S WILL IMPROVE COMMUNICATION WITH GOT AGENCIES AT WORKING-LEVEL AND MAY LEAD TO SETTLEMENT OF SOME ISSUES. ACTION REQUESTED: INFORMATION ON TAX NEGOTIATIONS FROM TREASURY; ON PROJECT PROPOSAL FORMS AND OLIVE OIL JOINT VENTURE POSSIBILITIES FROM OPIC. END SUMMARY.

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2. JOINT ORGANIZATIONAL MEETING OF TWO WORKING GROUPS ESTABLISHED UNDER THE SUBCOMMISSION ON TRADE AND INVESTMENT WAS HELD JAN 30. MOFA DEPUTY DIRECTOR OF INTERNATIONAL COOPERATION, HABIB BEN YAHIA, CHAIRED MEETING AS COORDINATOR FOR TUNIS-BASED GROUPS. MEETING WAS ATTENDED BY REPRESENTATIVES OF MOFA, MIN NATIONAL ECONOMY (DIRECTION OF EXTERNAL COMMERCE), FINANCE (CUSTOMS, STUDIES AND TAXES), CENTRAL BANK (BCT), OFFICE OF COMMERCE AND INVESTMENT PROMOTION AGENCY. EMBASSY WAS REPRESENTED BY ECONOMIC COUNSELOR AND E/C OFFICER.

3. BEN YAHIA PROVIDED FRAMEWORK FOR WORKING GROUP IN DEFINING ITS FUNCTION PRINCIPALLY AS MEANS TO ESTABLISH CONTACT POINTS FOR RESOLUTION OF PROBLEMS AND CONVEYANCE OF INFORMATION. WG'S WILL NOT MEET ON REGULAR BASIS AND WILL NOT BE DECISION-MAKING OR ADVISORY BODIES. COORDINATOR IN TUNIS, BEN YAHIA, WILL SERVE AS SECRETARIAT FOR WG'S AND PROVIDE REPORT OF WG'S ACTIVITIES TO SUBCOMMISSION CO-CHAIRMAN, PRIOR TO ANNUAL JC MEETING.

4. FOLLOWING ITEMS DRAWN FROM J.C. PROCES VERBAL AND SUBSEQUENT DEVELOPMENTS WERE DISCUSSED DURING MEETING:

A) US GENERALIZED SYSTEM OF PREFERENCES--EMBOFFS NOTED THAT EMBASSY IN PROCESS OF DISTRIBUTING PRODUCT LISTS AND CUSTOMS REGULATIONS TO INTERESTED GOT AGENCIES. ENSUING DISCUSSION TOUCHED ON SEVERAL TECHNICAL AND PROCEDURAL ASPECTS OF GSP, INCLUDING PROVISIONS TO REQUEST MODIFICATION OF PRODUCT COVERAGE TO ADD BOTTLED OLIVE OIL AND TABLE WINE. GOT CUSTOMS REP PROMISED LIST OF OFFICIALS PRESENTLY EMPOWERED TO SIGN UNCTAD CERTIFICATE OF ORIGIN FORM A AND SAMPLE OF OFFICIAL STAMP, BUT ADDED THAT, SINCE NAMES CHANGED FREQUENTLY, MOST GSP-GRANTING COUNTRIES WERE ELIMINATING REQUIREMENT THAT LIST OF OFFICIALS BE PROVIDED AND KEPT CURRENT. EMBOFFS NOTED THAT FORTHCOMING GSP BROCHURE IN FRENCH (FROM USIA) WILL PERMIT FURTHER DISSEMINATION OF INFO.

B) OTHER ASSISTANCE TO TUNISIAN EXPORTS--EMBOFFS
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OUTLINED ASSISTANCE GIVEN FREDJ JABBES, OFFICE DE HUILE, DURING HIS VISIT TO US, AS WELL AS CEPEX/WORLD TRADE INSTITUTE (WTI) EXPORT DEVELOPMENT PROGRAM FUNDED PARTIALLY BY AID GRANT TO WTI AND PARTIALLY BY GOT (FOR 1976). IT WAS NOTED THAT WTI PROGRAM WOULD INCLUDE MARKETING PLANS FOR OLIVE OIL, WINE, BRIAR PIPES, ESPADRILLES AND POSSIBLY GARMENTS. POSSIBILITY OF TUNISIAN TRADE MISSIONS TO US WAS DISCUSSED, AND IT WAS

GENERALLY AGREED THAT SUCH MISSIONS WOULD BE MORE USEFUL
WITHIN CONTEXT OF ELABORATED MARKET DEVELOPMENT PROGRAM,
OTHERWISE THERE MAY BE NO PRACTICAL BENEFITS. IT WAS
AGREED THAT MEETINGS ARRANGED BY EMBASSY BETWEEN RESIDENT
US BANK REPRESENTATIVES AND CEPEX HAD PERMITTED RESOLUTION
OF PROBLEM OF US PAYMENT PROCEDURES FOR TUNISIAN EXPORTS
(PARA A2 REFTEL).

C) EXPORT FINANCING, EXIMBANK AND MIXED CREDITS--
CENTRAL BANK REP EXPRESSED INTEREST IN POSSIBILITY FOR
EXPANDED EXIMBANK ACTIVITY IN TUNISIA, BUT FELT THAT 7-9
PER CENT RANGE OF INTEREST RATES WAS HIGH. DISCUSSION OF
CURRENT TUNISIAN PLACEMENT IN EUROCURRENCY MARKET, EXISTING
BILATERAL LINES OF CREDIT, AND EXPANDED FINANCING NEEDS
FOR FIFTH PLAN REVEALED THAT GOT NOW ACCEPTS SOME CREDITS
WITH EQUAL OR HIGHER INTEREST RATES. SEVERAL GOT REPS
NOTED WITH PLEASURE EXIMBANK DESIRE TO INCREASE EXPOSURE
IN TUNISIA. EMBOFFS UNDERTOOK TO SUPPLY BROCHURES IN
FRENCH WITH NEW EXIM REGULATIONS WHEN AVAILABLE.

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INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

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CEA-01 ITC-01 AGR-10 L-03 /105 W

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R 050940Z FEB 76

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 1595

UNCLAS SECTION 2 OF 2 TUNIS 0826

DEPT PASS COMMERCE FOR BIC/HOSTLER AND HALE

EMBOFF TOOK OCCASION TO URGE GOT TO STRESS PRICE AND QUALITY
IN EVALUATING BIDS ON MAJOR PROJECTS RATHER THAN FINANCING,
WHICH COULD INCLUDE "MIX" OF CONCESSIONAL AID WHICH WOULD

PROBABLY BE AVAILABLE IN ANY CASE FOR OTHER USES (75 TUNIS 7378). BEN YAHIA INDICATED THAT GOT POLICY SINCE 1969 HAS BEEN TO DRAW ON BILATERAL LINES OF CONCESSIONAL AID ONLY WHEN SUPPLIER COUNTRY PROPOSED LOWEST BID.

D) EXCHANGE RATE APPLIED TO INTERNATIONAL TENDERS--
EMBOFF NOTED THAT APPARENT CURRENT GOT PRACTICE OF EVALUATING DINAR VALUE OF INTERNATIONAL TENDERS DISCOURAGED EXPORTS FROM US AND WAS COSTLY TO TUNISIA, RECALLING THAT SUBJECT DISCUSSED WITH MIN ECONOMY LASRAM AT TIME J.C. MEETINGS. BCT REP EXPRESSED DOUBT THAT ALL TENDERS CONVERTED TO DINARS AT OLD IMF PAR RATE FOR DOLLAR BUT AGREED TO INVESTIGATE AND PROVIDE DETAILED EXPLANATION OF PROCEDURE. BCT AND NAT ECON REPS INDICATED THAT SYSTEM SHOULD PROTECT GOT FROM RATE FLUCTUATIONS BUT SHOULD ALSO REFLECT RELATIVE REAL COST IN BIDS AS ACCURATELY AS POSSIBLE. REPORT ON THIS SUBJECT ON AGENDA FOR NEXT MEETING. EMBOFFS REITERATED OFFER TO FACILITATE MEETING OF BCT OFFICIALS WITH US TREASURY OR OTHER EXPERTS TO
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DISCUSS POSSIBLE ALTERNATIVE METHODS OF BID EVALUATION.

E) TUNIS AS REGIONAL COMMERCIAL/FINANCIAL CENTER--
EMBOFF DISTRIBUTED GREEK LAW 89 AND ALLUDED TO SIMILAR JORDANIAN LAW IN SUGGESTING THAT, IF PROCEDURES, RIGHTS AND OBLIGATIONS COULD BE CLARIFIED, US FIRMS NOW SEEKING SUITABLE LOCATION FOR NORTH AFRICA REGIONAL OFFICE MIGHT BE ATTRACTED TO TUNISIA. GOT REPS REACTED FAVORABLY TO EMBOFF COMMENTS THIS SUBJECT. FINANCE REP INDICATED THAT 1961 COMMERCIAL LAW CURRENTLY PROVIDES FOR REGIONAL OFFICES AND UNDERTOOK TO PROVIDE TEXT FOR EMBASSY.

F) JOINT CHAMBER OF COMMERCE--TUNISIANS RAISED ADVISABILITY OF US-TUNISIAN CHAMBER OF COMMERCE, AND EMBOFF REPORTED ON NON-ENTHUSIASTIC RESPONSE TO INFORMAL SOUNDINGS BY WASHINGTON. HE STATED THAT US BELIEVED ORGANIZATION SHOULD BE SELF-SUPPORTING, NOT REQUIRING MAJOR INPUT OF TIME OR MONEY FROM EITHER GOVERNMENT. NAT ECON REP EXPRESSED BELIEF THAT C OF C PREMATURE GIVEN STATE OF US/TUNISIAN TRADE AND INVESTMENT BUT MAY BE USEFUL AT LATER STAGE. BEN YAHIA NOTED THAT SUCH ORGANIZATION COULD LEAD TO BETTER UNDERSTANDING THROUGH INCREASED CONTACTS BETWEEN BUSINESSMEN OF BOTH SIDES. SUGGESTION WAS MADE THAT GOT INCREASE ITS ACTIVITY IN ARAB/AMERICAN C OF C TO INCREASE EXPOSURE IN US. GENERAL AGREEMENT REACHED TO CONTINUE STUDY UNTIL REPORT REQUIRED FOR NEXT J.C.

5. SEVERAL AGENDA ITEMS, INCLUDING ALL THOSE FOR INVESTMENT WG (EXCEPT CHAMBER OF COMMERCE), WERE NOT COVERED

DUE TO TIME CONSTRAINTS. BEN YAHIA PROMISED RECONVENE
WG'S SECOND HALF FEBRUARY TO CONCLUDE REVIEW OF AGENDA.
EMBASSY WOULD APPRECIATE PRIOR TO THAT TIME IF POSSIBLE:

A) INDICATION FROM TREASURY AS TO EFFECT OF NEW
AND PENDING US TAX LEGISLATION ON ABILITY MOVE AHEAD
WITH TAX TREATY,

B) COPIES OF INVESTMENT PROJECT PREPARATION PRO-
CEDURES, FORMS, ETC., USED BY OPIC AS PROMISED DURING
J.C.,
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C) STATUS REPORT ON OPIC EFFORTS TO PUT TUNISIAN
PARTIES IN TOUCH WITH POSSIBLE US INVESTOR/MARKETING
FIRM INTERESTED IN JOINT VENTURE IN OLIVE OIL PROCESSING,
ALSO PROMISED DURING J.C.

6. EMBASSY TRANSMITTING PARAS 2-4 TO MOFA AS RECORD OF
US SUMMARY OF WG MEETING.

7. COMMENT: INITIAL WG MEETING WAS USEFUL TO MEET
PERSONS INVOLVED AND LEARN "WHO HANDLES WHICH QUESTIONS"
AND PERMITTED FRANK AND COMPLETE DISCUSSION MANY IMPORTANT
SUBJECTS. ATMOSPHERE WAS INFORMAL, PARTIALLY DUE TO
"WORKING-LEVEL" PARTICIPATION FROM GOT AGENCIES.
IMPROVED COMMUNICATION AND POSSIBLY SETTLEMENT SOME
ISSUES WILL RESULT FROM ESTABLISHMENT OF WG'S, ALTHOUGH
THEY ARE UNLIKELY TO HAVE DIRECT IMPACT ON ANY MAJOR
POLICY QUESTIONS. BEN YAHIA'S USE OF PROCES VERBAL AS
BASIS FOR DISCUSSION RATHER THAN AGENDA LISTS PREPARED
BY EMBASSY RESULTED IN LONGER AND MORE UNSTRUCTURED
MEETING THAN NECESSARY, WHICH MAY DISCOURAGE FUTURE
ATTENDANCE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, TRADE PROMOTION, COMMITTEES, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TUNIS00826
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760044-0393
From: TUNIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760277/aaaacpol.tel
Line Count: 262
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 TUNIS 299
Review Action: RELEASED, APPROVED
Review Authority: blochd0
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUN 2004 by BrownAM>; APPROVED <06 DEC 2004 by blochd0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US/TUNISIAN JOINT COMMISSION--WORKING GROUPS ON TRADE AND TRIANGULAR INVESTMENT
TAGS: BEXP, ETRD, EFIN, EINV, TS, USTSJC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006